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**ELAINE RICHARDSON**  
COMMISSIONER

October 26, 2006

The Honorable Janet Napolitano  
Governor of Arizona  
1700 West Washington Street, 9<sup>th</sup> Floor  
Phoenix, Arizona 85007

Dear Governor Napolitano:

The Arizona Real Estate Advisory Board is pleased to render this annual report to the Governor as a part of our statutory duties and responsibilities. We have summarized herein the major activities and events that have impacted the Arizona Department of Real Estate and its stakeholders over the last year

We are once again pleased to report to you that Real Estate Commissioner Elaine Richardson and her entire staff have continued to take strong steps to meet the challenges of growth in licensees and subdivisions throughout the State over the past year and to mitigate the impact of this rapid expansion while performing a high level of service to the public and to the Departments stakeholders.

The Department has continued an aggressive and effective outreach to and involvement of its stakeholders. The stakeholders have responded positively and with enthusiasm to extensive ongoing participation in the reworking of major areas of the Departments activities, continuing a revived spirit for both the stakeholders and the Departments professional staff. This continued enhanced cooperation and participation has produced very positive results and allowed the Department to handle the increased workloads as efficiently and effectively as possible while maintaining positive ties with stakeholders and effective response to the public.

We are pleased that the communication between "regulator" and "regulated" remains at a high level, with a spirit of mutual respect and co-operation continuing to grow daily.

With the support of Commissioner Richardson, the Advisory Board has taken and continued a proactive relationship with staff and has participated in policy, liaison, personnel, and legislative matters on behalf of the Department to the benefit of both the Department and the stakeholders.

As with last year, the challenges which continue to face the Department are largely related to the Department's ability to adequately staff and meet



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October 26, 2006  
Page 2

the needs of a constantly growing number of licensees and the burgeoning real estate industry in Arizona. Despite some slowing and as you will see in our report, the Department has continued to have record volumes of workload in certain areas.

As funding continues to be a challenge, it is important to recognize that the Department generates sufficient annual revenues through its fees to adequately protect the interests of the public and to serve its industry stakeholders. However, these funds are not being appropriated to the Department but are rather becoming part of the General Funds of the State. As noted elsewhere herein, the Department had revenues of \$6,106,092 this year. This equates to the Department of Real Estate collecting 164% of the money budgeted for its operations. **The Department has a continuing and urgent need to receive additional legislative assistance to be able to be self-sustaining to best serve the public and its stakeholders without the advantage of a full allocation of staff.**

Even with the current real estate market slowing, we expect the real estate industry in Arizona will continue at a level similar to what we are currently seeing, and that the number of licensees will continue to grow and therefore the need for vigilant oversight, judicious regulation and enhanced industry involvement will grow even more. The Advisory Board believes that, given steady and adequate funding, the Department of Real Estate and Commissioner Richardson and her staff are well positioned to meet the challenges of this growth and enhanced complexity over the foreseeable future.

Respectfully submitted,

Gary P. Brasher  
Chairman

The background of the page is a large, faded seal of the City of New York. It features a central shield with a landscape scene, surrounded by a blue ring and an outer yellow ring with the words "OFFICE OF THE COMPTROLLER OF THE CITY OF NEW YORK".

**REAL ESTATE ADVISORY BOARD**

**CITY OF NEW YORK**

**ANNUAL REPORT  
TO THE GOVERNOR  
2006**

## Summary of ADRE Accomplishments for Fiscal Year 2006

### **REDUCED LICENSE APPLICATION BACKLOG**

As was mentioned last year in our annual report, in 2005 the ADRE implemented one of the most significant technological “start ups” by any agency in State Government. The ADRE On line License Renewal System (OLRS) created significant reductions in License application backlogs. In July of 2005, the backlog for processing a real estate license was 9 weeks. By July of 2006, that backlog had been cut by more than 50% to 4 weeks. This use of technology has not only resulted in a more “user friendly” method by which Licensees may renew their license's, but it has relieved a task which would normally be handled by staff. This in turn has allowed staff to be used more effectively in other departments.

### **SHORTER LOBBY WAIT TIMES**

Waiting time in the licensing lobby has decreased from 2-3 hours to less than 15 minutes due in part to more licensees making applications on line, as well as due to the implementation of a Concierge and Drop Box system. Now, not only can licensees renew on line, they can simply “drop off” their applications, or ask the Concierge if they just have a “quick” question. Before these innovative ideas were put forward by the Commissioner, individuals would have to wait in line to talk to a staff person.

### **REACHING OUT TO STAKEHOLDERS** **EDUCATION ADVISORY COMMITTEE**

Under the Commissioners leadership, the ADRE has always “reached out” to the stakeholders for input on any variety of issues. As a result of wanting more interaction on the issue of education, the Department created a 14 member committee comprised of people from around the state involved or interested in the education process and programs. The committee is chaired by the Licensing and Professional Education Division Director and meets monthly. As the result of this newly created Committee, standardized course content for real estate licensees has been established and published on the ADRE website so it can be easily accessed by school administrators and instructors. As with other stakeholder groups, this Committee has been invaluable in helping the ADRE become more effective in this important field.

## **ACCOMPLISHMENTS (CONTINUED)**

### **CONTINUED INVOLVMENT IN THE ARIZONA-MEXICO COMMISSION**

As Co-Chair of the Real Estate Ad Hoc Committee, the Commissioner has continued to work with our Sonoran counterparts to improve communication between the two countries as well as promote the educational standards for licensees doing business on both sides of the border. As a result, the Department has facilitated a series of educational workshops on real estate transactions in Mexico. Topics have ranged from "Introduction to Mexican Real Estate Law" to "Title Insurance for Mexico". The Department has issued continuing education credits for most of these workshops.

### **SIMPLIFIED PUBLIC REPORT PROCESS**

As another example of reaching out to the stakeholder community, the ADRE established an "Ad Hoc" committee to develop suggestions for streamlining the Public Report Application process. This committee was made up of ADRE staff as well as developers, real estate industry and title company representatives. Based upon recommendations from the Committee, the Department revised the Subdivision Public Report application form, implemented improved filing procedures and established a minimum filing requirement for development applications. The Department also modified the review process for properties located in Sonora, Mexico that are marketed to Arizonans. These changes streamlined the Public Report process, which benefits the consumer, the department and the state.

### **STREAMLINED INVESTIGATIONS**

From 2003 to 2006 the Department reduced the time cases are open by almost 100 days even though the number of complaints increased over the same period by 50%. This is the result of improved investigation techniques, prioritizing cases and better case management.

### **IMPROVED AUDITING EFFICIENCY**

The Auditing Division implemented a Broker Audit Declaration (self audit) program assisting both Brokers and Auditors in ensuring Brokers are in compliance with the real estate laws and rules applicable to Brokers.

## **ACCOMPLISHMENTS (CONTINUED)**

### **ACCELERATED SETTLEMENT AGREEMENTS**

In 2006 the Department created the voluntary Accelerated Settlement Agreement (ASA), also known as the “traffic ticket”. This is a one-page “consent agreement” that may be offered to licensees who are guilty of “minor” infractions that have historically taken a great deal of the departments time to investigate and process. Minor infractions might include illegal advertising, or conducting real estate activity after a license has expired. Over 95% of licensees presented with the opportunity to accept the ASA program do so. This is another example of protecting the public, yet allowing the allocation of staff time to the more egregious rules violations.

### **PRELICENSURE DVD**

The Department developed a video presentation for prospective license applicants addressing the good character needed to qualify for licensure as a broker or salesperson. In May of 2006, the Department issued a copy of the DVD to real estate schools that teach the real estate prelicensure education classes.

### **SUMMARY**

As you can see from this report, Commissioner Richardson and her entire staff continue to do more with less. While this accomplishment is laudable, the Department is fast approaching the point of diminishing return where staff and resources are stretched to the maximum with no room for further stretching.

In Fiscal 2006 the Departments appropriation was \$3,718,800. The Department has consistently generated more revenue than it has been appropriated. During the same fiscal 2006 period, the Department generated \$6,106,092 in revenue. This equates to the Department of Real Estate collecting 164% of the money budgeted for its operations. By law, all monies generated by the Department must be deposited into the State General Fund. Also, according to A.R.S. 32-2103, the Commissioner is to set fees so that the revenue the Department generates comes to within 95 percent to 110 percent of its appropriation. For the past three fiscal years, the Legislature has chosen to override this statute.

As part of its appropriation, the Department has been allocated 65.4 full time positions. Due to the current budget, the Department has been unable to fill 3 positions or approximately 5% of its staffing levels. The vacant positions include administrative staff, licensing staff, and subdivision staff.

## **ACCOMPLISHMENTS (CONTINUED)**

In summary, Despite the department being funded below necessary levels thereby creating staffing and workload challenges, the Advisory Board is pleased to report that the Commissioner and the ADRE staff have performed admirably and have managed, through creative problem solving and multi-tasking, to fulfill their mission. However, the Advisory Board cannot stress enough the need to return the ADRE to a higher budgeting level. The Advisory Board is cognizant that staff and creative ideas can only go so far before protecting the public is effected in a negative way.

The Advisory Board continues to stand ready helping in any manner we can to fulfill our charge both to the Governors office, the Arizona Department of Real Estate and the public.